

CANADA ZINC METALS CORP.

Condensed Consolidated Interim Financial Statements

For the Nine Months Ended March 31, 2013 and 2012

Expressed in Canadian Dollars

(Unaudited – Prepared by Management)

CANADA ZINC METALS CORP.

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Notice of No Auditor Review

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CANADA ZINC METALS CORP.

NOTICE TO READER

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the condensed consolidated interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed consolidated interim financial statements of the Company have been prepared by management and approved by the Audit Committee and Board of Directors of the Company.

The Company's independent auditors have not performed a review of these condensed consolidated interim financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditors.

May 28, 2013

CANADA ZINC METALS CORP.

Condensed Consolidated Interim Statements of Financial Position
As at March 31, 2013, June 30, 2012 and July 1, 2011
(Expressed in Canadian Dollars - Unaudited)

	Notes	March 31, 2013	June 30, 2012	July 1, 2011
			(Audited)	(Audited)
Assets				
Current assets				
Cash and cash equivalents	3	\$ 13,690,555	\$ 13,905,702	\$ 15,501,154
Receivables	4	218,287	123,368	477,600
METC recoverable	9	556,085	556,085	1,611,149
Short-term investments		–	–	4,609,000
Prepaid expenses		13,038	9,800	378,838
Marketable securities	5	1,268,228	1,253,950	557,260
		15,746,193	15,848,905	23,135,001
Other assets	6	312,664	312,656	309,000
Equipment and leasehold improvements	8	391,885	297,408	194,994
Long-term prepaid expenses		145,287	168,716	192,145
Exploration and evaluation assets	9	62,798,843	61,643,910	57,696,017
		\$ 79,394,872	\$ 78,271,595	\$ 81,527,157
Liabilities and Equity				
Current liabilities				
Trade payables and accrued liabilities	7	\$ 135,854	\$ 235,085	\$ 1,189,024
Due to related parties	13	6,534	6,815	–
Flow-through premium liability	10	337,500	–	127,305
		479,888	241,900	1,316,329
Deferred income tax liability		1,466,000	1,466,000	1,413,000
Equity				
Capital stock	11	92,835,430	90,655,694	92,026,340
Reserves	11	11,711,940	11,599,747	11,150,900
Deficit		(26,757,504)	(25,556,729)	(23,966,073)
Accumulated other comprehensive loss		(340,882)	(135,017)	(413,339)
		77,448,984	76,563,695	78,797,828
		\$ 79,394,872	\$ 78,271,595	\$ 81,527,157

Nature and continuance of operations (Note 1)

The accompanying notes form an integral part of these condensed consolidated interim financial statements.

CANADA ZINC METALS CORP.

Condensed Consolidated Interim Statements of Changes in Equity
(Expressed in Canadian Dollars - Unaudited)

	Capital Stock				Reserves (Note 11)	Deficit	Accumulated other comprehensive income (loss)	Total Equity
	Number of common shares	Number of treasury shares	Common shares Amount	Treasury shares Amount				
Balance, July 1, 2011	138,455,138	(560,000)	\$ 92,291,720	\$ (265,380)	\$ 11,150,900	\$ (23,966,073)	\$ (413,339)	\$ 78,797,828
Exercise of options	110,000	–	173,490	–	(145,990)	–	–	27,500
Shares repurchased and cancelled	(1,641,500)	–	(1,115,759)	–	342,229	–	–	(773,530)
Treasury shares repurchased	–	(295,500)	–	(148,280)	–	–	–	(148,280)
Treasury shares cancelled	(560,000)	560,000	(379,612)	265,380	114,232	–	–	–
Share based compensation	–	–	–	–	122,965	–	–	122,965
Change in fair value of securities	–	–	–	–	–	–	814,100	814,100
Net loss for the period	–	–	–	–	–	(1,059,640)	–	(1,059,640)
Balance, March 31, 2012 (Restated , Note 16)	136,363,638	(295,500)	90,969,839	(148,280)	11,584,336	(25,025,713)	400,761	77,780,943
Treasury shares repurchased	–	(371,000)	–	(165,865)	–	–	–	(165,865)
Share based compensation	–	–	–	–	15,411	–	–	15,411
Change in fair value of securities	–	–	–	–	–	–	(535,778)	(535,778)
Net loss for the period	–	–	–	–	–	(531,016)	–	(531,016)
Balance, June 30, 2012	136,363,638	(666,500)	90,969,839	(314,145)	11,599,747	(25,556,729)	(135,017)	76,563,695
Flow-through private placement	7,500,000	–	3,000,000	–	–	–	–	3,000,000
Flow-through premium liability	–	–	(337,500)	–	–	–	–	(337,500)
Share issuance costs	–	–	(136,350)	–	–	–	–	(136,350)
Exercise of options	150,000	–	185,623	–	(148,123)	–	–	37,500
Shares repurchased and cancelled	(355,000)	–	(237,176)	–	105,213	–	–	(131,963)
Treasury shares cancelled	(666,500)	666,500	(432,354)	314,145	118,209	–	–	–
Treasury shares repurchased	–	(509,000)	–	(176,652)	–	–	–	(176,652)
Share-based compensation	–	–	–	–	36,894	–	–	36,894
Change in fair value of securities	–	–	–	–	–	–	(205,865)	(205,865)
Net loss for the period	–	–	–	–	–	(1,200,775)	–	(1,200,775)
Balance, March 31, 2013	142,992,138	(509,000)	\$ 93,012,082	\$ (176,652)	\$ 11,711,940	\$ (26,757,504)	\$ (340,882)	\$ 77,448,984

The accompanying notes form an integral part of these condensed consolidated interim financial statements.

CANADA ZINC METALS CORP.

Consolidated Statements of Operations and Comprehensive Loss

(Expressed in Canadian Dollars - Unaudited)

			Three months ended		Nine months ended	
			March 31,		March 31,	
	Note	2013	2012	2013	2012	Restated Note 16
ADMINISTRATION EXPENSES						
Administration	14	\$ 15,000	\$ 15,000	\$ 45,000	\$ 45,000	
Bank charges and interest		471	552	2,069	3,511	
Bonuses	14	–	–	63,000	2,500	
Consulting		60,351	56,250	156,351	168,750	
Depreciation	-	1,470	1,024	4,136	3,094	
Directors' fees	14	12,500	12,500	37,500	37,500	
Investor Relations		96,061	108,346	153,282	213,045	
Management fees	14	73,500	73,500	220,500	220,500	
Office and miscellaneous		8,337	8,865	43,910	40,034	
Professional fees		9,336	2,226	26,784	36,556	
Regulatory fees		2,500	12,400	7,495	17,395	
Rent		15,000	15,000	45,000	45,000	
Share-based compensation	12	7,545	14,042	36,894	122,965	
Transfer agent fees		1,171	968	3,870	3,755	
Travel and promotion		29,604	45,675	155,404	166,028	
Wages and benefits		97,344	105,857	302,721	305,478	
Loss before other items		(430,190)	(472,205)	(1,303,916)	(1,431,111)	
OTHER ITEMS						
Interest and other income		48,893	46,972	143,592	187,056	
Gain (loss) on sale of marketable securities	6	(42,396)	143,618	(40,451)	57,110	
		6,497	190,590	103,141	244,166	
Loss before income taxes		(423,692)	(281,615)	(1,200,775)	(1,186,945)	
Deferred income tax recovery	9	–	–	–	127,305	
Loss before comprehensive loss		(423,693)	(281,615)	(1,200,775)	(1,059,640)	
Adjustment for change in fair value of marketable securities	6	380,095	520,168	(205,865)	814,100	
Comprehensive income (loss) for the period		\$ (43,598)	\$ 238,553	\$ (1,406,640)	\$ (245,540)	
Basic and diluted loss per share		\$ (0.003)	\$ (0.002)	\$ (0.009)	\$ (0.008)	
Weighted average number of shares outstanding		142,992,138	134,568,125	138,854,350	136,815,423	

The accompanying notes form an integral part of these condensed consolidated interim financial statements.

CANADA ZINC METALS CORP.

Condensed Consolidated Interim Statements of Cash Flows
(Expressed in Canadian Dollars - Unaudited)

	Three months ended March 31,		Nine months ended March 31,	
	2013	2012	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES				
Loss for the period before comprehensive income or loss	\$ (423,693)	\$ (281,615)	\$ (1,200,775)	\$ (1,059,640)
Items not affecting cash:				Restated Note 16
Depreciation	1,470	1,024	4,136	3,094
Stock-based compensation	7,545	14,042	36,894	122,965
Loss (gain) on sale of marketable securities	42,396	(143,617)	40,451	(57,110)
Future income tax recovery	–	–	–	(127,305)
Changes in non-cash working capital items:				
(Increase) decrease in receivables	(25,520)	276,643	(94,919)	315,179
METC recovered	–	–	–	1,611,149
(Increase) decrease in prepaid expenses	22,584	3,763	(3,238)	368,214
Increase (decrease) in accounts payable and accrued liabilities	7,892	(59,701)	164	(285,256)
Increase (decrease) in due to/ from related parties	(102,524)	(4,901)	(6,815)	15,540
Cash provided by (used in) operating activities	(469,850)	(194,362)	(1,224,102)	906,830
CASH FLOWS FROM INVESTING ACTIVITIES				
Equipment and leasehold improvements	(557)	–	(140,085)	(146,935)
Long-term prepaid expense and deposits	23,429	–	23,429	–
Marketable securities costs	(2,420)	1,182,103	(260,595)	(398,529)
Reclamation bond	–	–	(8)	(3,649)
Resource property costs	(227,661)	(959,259)	(1,206,321)	(5,256,988)
Short-term investments	–	4,609,000	–	4,609,000
Cash used in investing activities	(207,209)	4,831,844	(1,583,580)	(1,197,101)
CASH FLOWS FROM FINANCING ACTIVITIES				
Issuance of common shares, net	–	27,500	2,901,150	27,500
Common shares repurchased	(39,078)	(83,187)	(308,614)	(921,810)
Cash provided by (used in) financing activities	(39,078)	(55,687)	2,592,536	(894,310)
Change in cash and cash equivalents during the period	(716,137)	(4,581,795)	(215,147)	(1,184,581)
Cash and cash equivalents, beginning of period	14,406,692	9,734,778	13,905,702	15,501,154
Cash and cash equivalents, end of period	\$ 13,690,555	\$ 14,316,573	\$ 13,690,555	\$ 14,316,573

Supplemental disclosure with respect to cash flows (Note 12)

The accompanying notes form an integral part of these condensed consolidated interim financial statements.

CANADA ZINC METALS CORP.

Notes to Condensed Consolidated Interim Financial Statements

For the nine months ended March 31, 2013 and 2012

(Expressed in Canadian Dollars, unless otherwise stated)

(Unaudited, prepared by management)

1. NATURE AND CONTINUANCE OF OPERATIONS

Canada Zinc Metals Corp. (the “Company”) is incorporated under the laws of the Province of British Columbia. The Company operates in one business segment, that being the exploration and evaluation of resource properties in Canada, and has not yet determined whether these properties contain ore reserves that are economically recoverable. The recoverability of the amounts shown for exploration and evaluation assets is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete their development, and upon future profitable production.

The Company’s head office and principal address is Suite 2050-1055 West Georgia Street, PO Box 11121, Royal Centre, Vancouver, BC V6E 3P3. The registered and records office is Suite 700-595 Burrard St., PO Box 49290, Vancouver, BC V7X 1S8.

These consolidated financial statements have been prepared on a going concern basis, which presumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The Company has incurred losses since its inception and the ability of the Company to continue as a going-concern depends upon its ability to raise adequate financing and to commence profitable operations in the future.

While the Company has been successful in obtaining its required financing in the past, mainly through the issuance of equity capital, there is no assurance that such financing will be available or be available on favorable terms. An inability to raise additional financing may impact the future assessment of the Company as a going concern. The consolidated financial statements do not include adjustments to amounts and classifications of assets and liabilities that might be necessary should the Company be unable to continue operations.

At March 31, 2013, the Company has a positive working capital position of \$15,603,805. Management believes the Company has sufficient working capital to maintain its operations and its activities for the next fiscal year.

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION

These financial statements were authorized for issue on May 28, 2013 by the directors of the Company.

Statement of compliance

These condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting (“IAS 34”) using accounting policies consistent with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”).

These condensed interim financial statements do not include all of the information required of a full annual financial report and is intended to provide users with an update in relation to events and transactions that are significant to an understanding of the changes in financial position and performance of the Company since the end of the last annual reporting period.

CANADA ZINC METALS CORP.

Notes to Condensed Consolidated Interim Financial Statements
For the nine months ended March 31, 2013 and 2012
(Expressed in Canadian Dollars, unless otherwise stated)
(Unaudited, prepared by management)

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (cont'd)

Statement of compliance (cont'd)

It is therefore recommended that these condensed interim financial statements be read in conjunction with the Company's audited consolidated financial statements for the year ended June 30, 2012.

Basis of Preparation

These condensed consolidated interim financial statements of the Company have been prepared on an accrual basis except for certain cash flow information and are based on historical costs, except for certain financial instruments classified as financial instruments at fair value through profit and loss or available-for-sale which are stated at their fair value. The consolidated interim financial statements are presented in Canadian dollars unless otherwise noted, which is also the functional currency of the Company and its subsidiary.

The accounting policies chosen by the Company have been applied consistently to all periods presented.

Principles of consolidation

These condensed consolidated interim financial statements include amounts of the Company and its wholly owned subsidiary Ecstall Mining Corp. ("Ecstall"), a company incorporated under the laws of the Province of British Columbia and engaged in the exploration and evaluation of resource properties.

Subsidiaries are corporations in which the Company is able to control the financial operating, investing and financing activities and policies, which is the authority usually connected with holding majority voting rights. The consolidated financial statements include the accounts of the Company and its controlled entity from the date on which control was acquired. Ecstall uses the same reporting period and the same accounting policies as the Company.

All inter-entity balances and transactions, including unrealized profits and losses arising from inter-company transactions, have been eliminated in full on consolidation.

Significant accounting judgements, estimates and assumptions

The preparation of interim financial statements in conformity with IAS 34 requires management to make judgments, estimates and assumptions that affect the reported amount of assets and liabilities and the disclosure of contingent liabilities at the date of the financial statements and the reported amount of expenses during the reporting period.

Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates.

CANADA ZINC METALS CORP.

Notes to Condensed Consolidated Interim Financial Statements

For the nine months ended March 31, 2013 and 2012

(Expressed in Canadian Dollars, unless otherwise stated)

(Unaudited, prepared by management)

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (cont'd)

Significant accounting judgements, estimates and assumptions (cont'd)

Critical Judgments

The preparation of the consolidated financial statements requires management to make judgments regarding the going concern of the Company as discussed in Note 1.

Key Sources of Estimation Uncertainty

Because a precise determination of many assets and liabilities is dependent upon future events, the preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of assets and liabilities at the date of the consolidated financial statements and the reported amounts of expenses during the reporting periods. Actual results could differ from those estimates and such differences could be significant. Significant estimates made by management affecting our consolidated financial statements include:

Share based payments

We measure our share based payment expense by reference to the fair value of the stock options at the date at which they are granted. Estimating fair value for granted stock options requires determining the most appropriate valuation model which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the option, volatility, dividend yield, and rate of forfeitures and making assumption about them. The value of the share based payment expense for the period along with the assumptions and model used for estimating fair value for share-based compensation transactions are disclosed in Note 11.

Financial Instruments

The fair values of financial instruments are estimated based upon market and third party inputs. These estimates are subject to change with fluctuations in commodity prices, interest rates, foreign currency exchange rates and estimates of non-performance risk.

Deferred tax Assets & Liabilities

The measurement of deferred income tax provision is subject to uncertainty associated with the timing of future events and changes in legislation, tax rates and interpretations by tax authorities.

Useful Life of Equipment and Leasehold improvements

Each significant component of an item of Equipment and Leasehold improvements is depreciated over its estimated useful life. Estimated useful lives are determined based on current facts and past experience, and take into consideration the anticipated physical life of the asset, existing long-term sales agreements and contracts, current and forecasted demand, the potential for technological obsolescence, and regulations.

CANADA ZINC METALS CORP.

Notes to Condensed Consolidated Interim Financial Statements
For the nine months ended March 31, 2013 and 2012
(Expressed in Canadian Dollars, unless otherwise stated)
(Unaudited, prepared by management)

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (cont'd)

New standards and interpretations

The standards and interpretations within IFRS are subject to change and accordingly, the accounting policies that are relevant to these interim financial statements will be finalized when the annual IFRS financial statements are prepared for the year ending June 30, 2013.

At the date of authorization of these financial statements, the following Standards were effective:

Standards	Description of Changes	Effective Date
IAS 12	<i>Deferred Tax: Recovery of Underlying Assets</i> - The amendment concerned the determination of deferred tax on investment property measured at fair value.	Effective for annual periods beginning on or after July 1, 2012.
IAS 27	<i>Separate Financial Statements</i> -Accounting and disclosure requirements for investments in subsidiaries, joint ventures, and associates when an entity prepares separate financial statements.	Effective for annual periods beginning on or after July 1, 2012.

The adoption of the above standards and amendments are not expected to have a significant impact on the accounting policies applied.

In addition, the following Standards were issued but not yet effective at the date of authorization of these financial statements:

Standards	Description of Changes	Effective Date
IFRS 9	<i>Financial Instruments</i> – New Standards that is part of a three phase project to replace IAS 39 Financial Instruments: Recognition and Measurement.	Effective for annual periods beginning on or after January 1, 2015.
IFRS 10	<i>Consolidated Financial Statements</i> - Establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one of more other entities.	Effective for annual periods beginning on or after January 1, 2013.
IFRS 11	<i>Joint Arrangements</i> - Provides for a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangements, rather than its legal form.	Effective for annual periods beginning on or after January 1, 2013.
IFRS 12	<i>Disclosure of Interests in Other Entities</i> - New Standard on disclosure requirements for all forms of interests in other entities, including subsidiaries, joint arrangements, associates and unconsolidated structured entities.	Effective for annual periods beginning on or after January 1, 2013.
IFRS 13	<i>Fair Value Measurement</i> – New Standard to provide consistency among the IFRS that deal with fair value measurements.	Effective for annual periods beginning on or after January 1, 2013.

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Notes to Condensed Consolidated Interim Financial Statements
For the nine months ended March 31, 2013 and 2012
(Expressed in Canadian Dollars, unless otherwise stated)
(Unaudited, prepared by management)

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (cont'd)

New standards and interpretations

Standards	Description of Changes	Effective Date
IAS 1	<i>Presentation of Financial Statements</i> – Amendments regarding presentation of items of other comprehensive income.	Effective for annual periods beginning on or after July 1, 2012.
IAS 28	<i>Investments in Associates and Joint Ventures</i> -Prescribes the accounting for investments in associates and sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures.	Effective for annual periods beginning on or after January 1, 2013.
IAS 32	<i>Presentation of financial instrument</i> – Amendment to clarify requirements for offsetting financial assets and financial liabilities.	Effective for annual periods beginning on or after January 1, 2014.

The impact of the initial application of the Standards listed above is not known or reasonably estimable at the time of authorization of these financial statements.

3. CASH AND CASH EQUIVALENTS

Cash and cash equivalents are comprised of:

	March 31, 2013	June 30, 2012	July 1, 2011
Bank deposits	\$ 90,555	\$ 196,702	\$ 81,513
Guaranteed investment certificate	13,600,000	13,709,000	15,419,641
	\$ 13,690,555	\$ 13,905,702	\$ 15,501,154

Cash equivalents consists of highly liquid Canadian dollar denominated guaranteed investment certificates (“GICs”), which are readily convertible into a known amount of cash with an insignificant risk of changes in value.

As at March 31, 2013, the GICs were earning an average annual interest rate of 1.45%. The counter-party is a financial institution. The interest accrued on the GICs is included in receivables (Note 4).

CANADA ZINC METALS CORP.

Notes to Condensed Consolidated Interim Financial Statements
 For the nine months ended March 31, 2013 and 2012
 (Expressed in Canadian Dollars, unless otherwise stated)
 (Unaudited, prepared by management)

4. RECEIVABLES

	March 31, 2013	June 30, 2012	July 1, 2011
Harmonized Government Sales Tax credits	\$ 54,725	\$ 79,955	\$ 279,906
Interest accrued on GICs (Note 3)	163,562	43,413	112,378
Other receivables	–	–	85,316
	\$ 218,287	\$ 123,368	\$ 477,600

Other receivables as at July 1, 2011 primarily consisted of a refundable security deposit in the amount of \$85,000 posted with the Government of British Columbia in relation to the Akie and Kechika Regional properties and was returned to the Company during the 2012 fiscal year.

5. MARKETABLE SECURITIES

The Company holds marketable securities that have been designated as fair value through profit and loss as follows:

	March 31, 2013	June 30, 2012	July 1, 2011
Common shares of public companies			
Cost	\$ 1,609,110	\$ 1,388,967	\$ 970,599
Less accumulated unrealized holding losses	(340,882)	(135,017)	(413,339)
Fair Value	\$ 1,268,228	\$ 1,253,950	\$ 557,260

6. OTHER ASSETS

Other assets comprise reclamation bonds of \$312,664 (June 30, 2011 – \$312,656; July 1, 2011 - \$309,000) posted as security deposits with the Government of British Columbia in relation to the Akie and Kechika Regional properties. The reclamation bonds are deposited in GICs through a financial institution.

7. TRADE PAYABLES AND ACCRUED LIABILITIES

	March 31, 2013	June 30, 2012	July 1, 2011
Trade payables	\$ 123,584	\$ 150,826	\$ 1,005,790
Accrued liabilities	12,000	84,259	183,234
	\$ 135,854	\$ 235,085	\$ 1,189,024

CANADA ZINC METALS CORP.

Notes to Condensed Consolidated Interim Financial Statements
 For the nine months ended March 31, 2013 and 2012
 (Expressed in Canadian Dollars, unless otherwise stated)
 (Unaudited, prepared by management)

8. EQUIPMENT AND LEASEHOLD IMPROVEMENTS

	Computers	Office equipment and furniture	Office leasehold improvements	License ⁽¹⁾	Vehicle ⁽¹⁾	Camp equipment and fixtures ⁽¹⁾	Camp upgrades ⁽¹⁾	Total
Cost:								
At July 1, 2011	\$ 15,840	\$ 18,260	\$ 2,522	\$ 19,000	\$ 34,400	\$ 128,820	\$ 165,233	\$ 384,075
Acquisition	1,730	–	4,616	–	206	31,338	141,101	178,991
Disposal	(3,613)	(3,215)	(2,522)	–	–	–	–	(9,350)
At June 30, 2012	13,957	15,045	4,616	19,000	34,606	160,158	306,334	553,716
Acquisition	4,869	557	–	–	–	–	134,659	140,085
At March 31, 2013	\$ 18,826	\$ 15,602	\$ 4,616	\$ 19,000	\$ 34,606	\$ 160,158	\$ 440,993	\$ 693,801
Accumulated depreciation:								
At July 1, 2011	\$ 13,689	\$ 4,307	\$ 2,522	\$ 5,225	\$ 5,160	\$ 56,309	\$ 101,869	\$ 189,081
Depreciation for the year	1,980	2,945	461	10,450	8,803	22,046	29,218	75,903
Eliminated on disposal	(3,614)	(2,540)	(2,522)	–	–	–	–	(8,676)
At June 30, 2012	12,055	4,712	461	15,675	13,963	78,355	131,087	256,308
Depreciation for the period	1,769	1,674	693	1,373	4,636	13,246	22,217	45,608
At March 31, 2013	\$ 13,824	\$ 6,386	\$ 1,154	\$ 17,048	\$ 18,599	\$ 91,601	\$ 153,304	\$ 301,916
Net book value:								
At July 1, 2011	\$ 2,151	\$ 13,953	\$ –	\$ 13,775	\$ 29,240	\$ 72,511	\$ 63,364	\$ 194,994
At June 30, 2012	\$ 1,902	\$ 10,333	\$ 4,155	\$ 3,325	\$ 20,643	\$ 81,803	\$ 175,247	\$ 297,408
At March 31, 2013	\$ 5,002	\$ 9,216	\$ 3,462	\$ 1,952	\$ 16,007	\$ 68,557	\$ 287,689	\$ 391,885

⁽¹⁾ License, vehicles, camp equipment and fixtures and camp upgrades are used for exploration and evaluation activities. Depreciation for these items of \$41,472 for the nine months ended March 31, 2013 has been capitalized to Exploration and evaluation assets. Depreciation of the remaining items of \$4,136 (2011 - \$2,070) has been expensed.

CANADA ZINC METALS CORP.

Notes to Condensed Consolidated Interim Financial Statements

For the nine months ended March 31, 2013 and 2012

(Expressed in Canadian Dollars, unless otherwise stated)

(Unaudited, prepared by management)

9. EXPLORATION AND EVALUATION ASSETS

Title to exploration and evaluation assets involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyancing history characteristic of many resource claims. The Company has investigated title to all of its exploration and evaluation assets and, to the best of its knowledge, title to all of its claims are in good standing.

Akie Property, British Columbia

The Akie property is the Company's flagship exploration project and is host to the Cardiac Creek SEDEX Zn-Pb-Ag deposit. The Company owns a 100% interest in the Akie property, which resulted from Company expenditures and the acquisition of Ecstall Mining Corporation.

Kechika Regional project, British Columbia

The Kechika Regional project, represented by a series of contiguous property blocks including Pie and Mt. Alcock, extends northwest from the Akie property. The Company owns a 100% interest in these properties, which were acquired during fiscal 2007 and 2008, including the acquisition of Ecstall. The interest in the Mt. Alcock property is subject to a 1.0 % net smelter royalty.

The Company applies for the 20% British Columbia Mining Exploration Tax Credit ("METC") and the enhanced tax credit of an additional 10% for Mountain Pine Beetle affected areas, on qualified mining exploration costs incurred.

The following table summarizes exploration and evaluation assets expenditures by property:

	Akie Property	Kechika Regional	Total
Acquisition Costs:			
Balance, July 1, 2011	\$ 24,175,329	\$ 328,780	\$ 24,504,109
Additions	–	1,563	1,563
Balance, June 30, 2012	24,175,329	330,343	24,505,672
Additions	–	91	91
Balance, March 31, 2013	\$ 24,175,329	\$ 330,434	\$ 24,505,763

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9. EXPLORATION AND EVALUATION ASSETS (cont'd)

Summary of exploration and evaluation assets expenditures (cont'd):

	Akie Property	Kechika Regional	Total
Deferred exploration costs:			
Balance, July 1, 2011	\$ 30,652,160	\$ 2,539,748	\$ 33,191,908
<u>Surface drilling program:</u>			
Camp equipment, amortization	70,517	–	70,517
Camp operating	78,207	59,217	137,424
Drilling	1,624,839	169,309	1,794,148
Geology	198,476	281,013	479,489
Total surface drilling	1,972,039	509,539	2,481,578
<u>Underground development:</u>			
Engineering	187,777	–	187,777
Trail construction	1,705,263	–	1,705,263
Total underground development	1,893,040	–	1,893,040
Geotechnical program	19,550	–	19,550
Community consultations	91,745	–	91,745
Environmental studies	340,589	–	340,589
Project assessment	32,224	–	32,224
Metallurgical analysis	6,854	–	6,854
Less:			
METC	(919,250)	–	(919,250)
Balance, June 30, 2012	34,088,951	3,049,287	37,138,238
Camp equipment, depreciation	41,472	–	41,472
Camp operating	93,100	142,135	235,235
Geology	144,245	69,220	213,465
Underground development	22,565	–	22,565
Community consultations	200,000	–	200,000
Environmental studies	168,935	–	168,935
Airborne survey	80,109	193,061	273,170
Balance, March 31, 2013	34,839,377	3,453,703	38,293,080
Total June 30, 2011	\$ 54,827,489	\$ 3,404,442	\$ 57,696,017
Total June 30, 2012	\$ 58,264,280	\$ 3,379,630	\$ 61,643,910
Total March 31, 2013	\$ 59,014,706	\$ 3,784,137	\$ 62,798,843

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10. FLOW-THROUGH PREMIUM LIABILITY

	March 31, 2013	June 30, 2012	July 1, 2011
Flow-through premium liability	\$ 337,500	\$ –	\$ 127,305

The flow-through premium liability of \$337,500 arose in connection with the flow-through private placement of the Company completed in November of 2012 (Note 11 (b)). The recorded flow-through premium liability of \$337,500 was based on an estimated premium of \$0.045 per a flow-through share issued. This balance does not represent a cash liability to the Company and is to be amortised to the statement of operations and comprehensive loss pro-rata with the amount of qualifying flow-through expenditures applicable to the flow-through shares that will be renounced to the flow-through investors.

As at June 30, 2012, the Company incurred all eligible resource expenditures and filed regulatory renunciation forms in connection with the flow-through private placement of the Company completed during fiscal 2011. Accordingly, the Company reversed the flow-through premium liability of \$127,305 recorded in prior years to income as a deferred income tax recovery.

11. CAPITAL STOCK AND RESERVES

(a) Authorized

Unlimited common shares without par value

(b) Issued and outstanding

During the nine months ended March 31, 2013:

- (i) the Company completed a flow-through private placement of 7,500,000 units at a price of \$0.40 per unit for gross proceeds of \$3,000,000. Each unit consists of one flow-through common share and one-half share purchase warrant of the Company. Each whole warrant will entitle the holder to purchase one additional common share at a price of \$0.60 for a period of 18 months from closing. The Company paid a finder's fee of \$120,000 and regulatory filing fees of \$16,350 in connection with the private placement;
- (ii) the Company received TSXV approval for its new NCIB application to purchase at market price up to 6,825,681 common shares, being approximately 5% of the Company's issued and outstanding common shares through the facilities of the TSXV. The bid commenced on August 1, 2012 and will stay open for another 12 months;
- (iii) the Company repurchased under the NCIB 864,000 common shares for a total consideration of \$308,614 at a weighted average price of \$0.36 per share, of which 509,000 were held in the Company's treasury at March 31, 2013;

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11. CAPITAL STOCK AND RESERVES (cont'd)

(b) Issued and outstanding (cont'd)

- (iv) 1,021,500 common shares repurchased under the NCIB, of which 666,500 were repurchased in fiscal 2012, were cancelled and returned to the Company's treasury. Upon the cancellation, \$669,530 was recorded as a reduction to capital stock for the assigned value of the shares, and \$223,422 was allocated to reserves; and
- (v) an aggregate of 150,000 share options were exercised at a price of \$0.25 per share and 150,000 common shares were issued for total proceeds of \$37,500. In addition, a reallocation of \$148,123 from reserves to share capital was recorded on the exercise of these options. This amount constitutes the fair value of options recorded at the original grant date and on subsequent re-pricing.

During the year ended June 30, 2012:

- (vi) the Company received TSXV approval to extend a normal course issuer bid ("NCIB") to purchase at market price up to 6,922,765 common shares, being approximately 5% of the Company's issued and outstanding common shares through the facilities of the TSXV. The new bid commenced on August 1, 2011 and will stay open for 12 months;
- (vii) the Company repurchased under the NCIB 2,308,000 of its common shares for a total consideration of \$1,087,675 at a weighted average price of \$0.47 per share, of which 666,500 shares were held in the Company's treasury at June 30, 2012 and cancelled subsequent to the year end;
- (viii) 2,201,500 common shares repurchased under the NCIB, of which 560,000 were repurchased in fiscal 2011, were cancelled and returned to the Company's treasury. Upon the cancellation, \$1,495,371 was recorded as a reduction to capital stock for the assigned value of the shares, and \$456,461 was allocated to reserves; and
- (ix) an aggregate of 110,000 share options were exercised at a price of \$0.25 per share and 110,000 common shares were issued for total proceeds of \$27,500. In addition, a reallocation of \$145,990 from reserves to share capital was recorded on the exercise of these options. This amount constitutes the fair value of options recorded at the original grant date and on subsequent re-pricing.

(c) Share options

The Company has adopted a 20% fixed share option plan whereby the Company has reserved 20,557,283 common shares under the plan. The term of any options granted under the plan is fixed by the Board of Directors and may not exceed ten years from date of grant.

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11. CAPITAL STOCK AND RESERVES (cont'd)

(c) Share options (cont'd)

The number of options granted to a consultant in a 12 month period must not exceed 2% of the issued shares of the Issuer from the date of grant. Options issued to consultants performing investor relations activities must vest in stages over 12 months with no more than 1/4 of the options vesting in any three month period. Share options granted to directors, officers and employees of the Company vest immediately.

Share option transactions and the number of share options outstanding are summarized as follows:

	Options Outstanding	Weighted Average Exercise Price
Balance, July 1, 2011	8,240,500	\$ 0.51
Exercised	(110,000)	\$ 0.25
Expired	(355,500)	\$ 0.69
Balance, June 30, 2012	7,775,000	\$ 0.50
Exercised	(150,000)	\$ 0.25
Expired	(320,000)	\$ 1.15
Outstanding, March 31, 2013	7,305,000	\$ 0.50

Share options outstanding and exercisable at March 31, 2013 are summarized as follows:

Number of Options	Exercise Price	Expiry Date	Number of Options Exercisable
130,000	\$0.70	November 14, 2016	130,000
295,000	\$1.05	February 11, 2018	295,000
300,000	\$0.25	February 11, 2018	300,000
50,000	\$0.25	April 1, 2013 (*)	50,000
75,000	\$1.05	April 29, 2013 (*)	75,000
175,000	\$0.25	October 21, 2013	175,000
890,000	\$0.25	October 31, 2018	890,000
700,000	\$0.40	September 22, 2014	700,000
360,000	\$0.40	October 9, 2019	360,000
802,500	\$0.41	October 13, 2016	802,500
1,215,000	\$0.63	January 15, 2020	1,215,000
300,000	\$0.50	May 10, 2015	300,000
432,500	\$0.53	November 8, 2020	432,500
1,430,000	\$0.55	November 24, 2020	1,130,000
150,000	\$0.60	January 7, 2015	150,000
7,305,000			7,005,000

(*) Expired subsequent to the period ended March 31, 2013.

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11. CAPITAL STOCK AND RESERVES (cont'd)

(c) Share options (cont'd)

During the nine months ended March 31, 2013, under the fair value based method a total of \$36,894 (2012 – \$122,965) in share-based compensation expense was recorded in the statement of operations and comprehensive loss for vested share options previously granted to directors, officers, employees and consultants of the Company. No share options were granted during the nine months ended March 31, 2013 and the year ended June 30, 2012.

The fair value of stock options used to calculate compensation expense for options vested during the year has been estimated using the Black-Scholes option pricing model with the following weighted average assumptions:

Nine months ended March 31,	2013	2012
Risk free interest rate	2.88%	2.81%
Expected dividend yield	0%	0%
Stock price volatility	106%	102%
Expected life of options	9.82 years	9.04 years
Weighted average fair value of options	\$ 0.51	\$ 0.46
Forfeiture	0%	0%

(d) Warrants

Share purchase warrants transactions and warrants outstanding are summarized as follows:

	Warrants Outstanding	Weighted Average Exercise Price
Balance, June 30, 2011	20,615,612	\$0.72
Expired	(2,500,000)	0.80
Balance, June 30, 2012	18,115,612	\$0.80
Issued (Note 11 (b))	3,750,000	0.60
Expired	(18,115,612)	0.80
Balance, March 31, 2013	3,750,000	\$0.60

The following table summarizes the warrants outstanding at March 31, 2013:

Number of Warrants	Exercise Price	Expiry Date
3,750,000	\$ 0.60	May 30, 2014
3,750,000		

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11. CAPITAL STOCK AND RESERVES (cont'd)

(e) Reserves

	Options and agent warrants	Finance warrants	Treasury shares	Total
Balance, July 1, 2011	\$ 8,781,518	\$ 1,993,026	\$ 376,356	\$ 11,150,900
Exercise of options	(145,990)	-	-	(145,990)
Normal course issuer bid	-	-	342,229	342,229
Treasury shares cancelled	-	-	114,232	114,232
Share-based compensation	138,376	-	-	138,376
Balance, June 30, 2012	8,773,904	1,993,026	832,817	11,599,747
Exercise of options	(148,123)	-	-	(148,123)
Normal course issuer bid	-	-	105,213	105,213
Treasury shares cancelled	-	-	118,209	118,209
Share-based compensation	36,894	-	-	36,894
Balance, March 31, 2013	\$ 8,662,675	\$ 1,993,026	\$ 1,056,239	\$ 11,711,940

12. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

Nine months ended March 31,	2013	2012
Cash paid during the period for interest	\$ -	\$ 1,107
Cash paid during the period for income tax	\$ -	\$ -

Significant non-cash transactions for the nine months ended March 31, 2013 included:

- exploration and evaluation expenditures of \$84,860 (June 30, 2012 -\$184,254) in accounts payable;
- exploration and evaluation expenditures of \$6,534 (June 30, 2012 -\$Nil) in due to related parties;
- depreciation of camp equipment and upgrades of \$41,472 included in exploration and evaluation assets;
- an allocation of \$148,123 (2012 - \$Nil) from reserves to capital stock upon the exercise of stock options;
- unrealized loss of \$205,865 on marketable securities due to changes in fair values, which was allocated to accumulated other comprehensive loss.

Significant non-cash transactions for the nine months ended March 31, 2012 included:

- resource property expenditures of \$583,038 (June 30, 2011 -\$799,965) in accounts payable; and
- amortization of camp equipment and upgrades of \$32,574 included in resource properties;
- unrealized gain of \$293,932 on marketable securities due to changes in fair values, which was allocated to accumulated other comprehensive income.

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13. RELATED PARTIES TRANSACTIONS

The remuneration of directors and executive officers during the nine months ended March 31, 2013 and 2012 were as follows:

Nine months ended March 31,	2013	2012
Bonuses	\$ 63,000	\$ 2,500
Consulting fees (ii)	11,250	11,250
Directors fees (iv)	37,500	37,500
Exploration and evaluation expenditures (geological consulting) (v)	105,012	103,344
Management and administration (i)	265,500	265,500
Share-based payments (vi)	36,894	95,317
Total	\$ 519,156	\$ 515,411

- (i) On May 1, 2007, the Company entered into a management and administrative agreement with Varshney Capital Corp. (“VCC”), a company with two common directors, whereby the Company agreed to pay management and administrative fees of \$12,500 and \$5,000 per month, respectively. Effective July 1, 2011, the agreement was amended to increase the monthly management fee to \$24,500.

During the nine months ended March 31, 2013, the Company paid \$220,500 (2012 – \$220,500) for management fees and \$45,000 (2012 – \$45,000) for administrative fees to VCC.

- (ii) The Company paid \$11,250 (2012 - \$11,250) for consulting fees to a company controlled by a director;
- (iii) The Company paid \$37,500 (2012 - \$37,500) in directors fees to five directors of the Company;
- (iv) The Company paid or accrued exploration and evaluation costs of \$105,012 (2012 - \$103,344) to a company owned by an officer of the Company.
- (v) Share-based payments are the fair value of options that have been granted to directors and executive officers.

As at March 31, 2013, \$6,534 (June 30, 2012 - \$6,815; July 1, 2011 - \$Nil) was due to a company controlled by an officer of the Company for geological consulting fees.

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14. CAPITAL MANAGEMENT

The Company manages its capital structure and makes adjustments based on the funds available in order to support continued operation and future business opportunities. The board of directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. The Company considers its capital to be equity.

The Company's operations are currently not generating positive cash flow; as such, the Company is dependent on external financing to fund its activities. In order to carry out potential expansion and to continue operations, and pay for administrative costs, the Company will spend its existing working capital, and raise additional amounts as needed. Companies in this stage typically rely upon equity and debt financing or joint venture partnerships to fund their operations. The current financial markets are very difficult and there is no certainty with respect to the Company's ability to raise capital. However, the Company feels that it has sufficient working capital to continue with planned activities.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. To maintain or adjust capital structure, management may invest its excess cash in interest bearing accounts of Canadian chartered banks.

There were no changes in the Company's approach to capital management during the nine months ended March 31, 2013. The Company is not subject to externally imposed capital requirements.

15. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Company's financial instruments at March 31, 2013 are as follows:

	<i>Loans & receivables</i>	<i>Available for sale</i>	<i>Fair Value through Profit or Loss ("FVTPL")</i>	<i>Other financial liabilities</i>
Financial assets				
Cash and cash equivalents	\$ –	\$ –	\$ 13,690,555	\$ –
Interest receivable	163,562	–	–	–
Marketable securities	–	1,268,228	–	–
Financial liabilities				
Trade payables	–	–	–	123,584
Due to related parties	–	–	–	6,534
	\$ 163,562	\$ 1,268,228	\$ 13,690,555	\$ 130,388

Unless otherwise disclosed their carrying values approximate their fair values due to the short term nature of these instruments.

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15. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (cont'd)

Fair value estimates of financial instruments are made at a specific point in time, based on relevant information about financial markets and specific financial instruments. As these estimates are subjective in nature, involving uncertainties and matters of significant judgment, they cannot be determined with precision. Changes in assumptions can significantly affect estimated fair values.

The Company has classified its cash and cash equivalents as at FVTPL. Marketable securities are classified as available-for-sale. Receivables (excluding GST and HST receivable and METC recoverable) are classified as loans and receivables and trade payables and accrued liabilities, and due to related parties are classified as other financial liabilities, all of which are measured at amortized cost. The carrying value of receivables, trade payables and accrued liabilities and due to related parties approximate their fair value because of the short-term nature of these instruments.

Credit Risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's primary exposure to credit risk is on its bank deposits of \$90,555 and GICs classified as cash equivalents of \$13,600,000.

Subsequent to the period ended March 31, 2013, the Company redeemed \$13,600,000 from GICs and transferred funds to a treasury bank deposit with a major bank in Canada. This risk is managed by using one bank that is a high credit quality financial institution as determined by rating agencies.

The Company's secondary exposure to credit risk is on its receivables. This risk is minimal as receivables consist primarily of refundable government sales taxes, mining exploration tax credits and interest accrued on GIC investments.

Liquidity Risk

Liquidity risk arises through the excess of financial obligations over available financial assets due at any point in time. The Company's objective in managing liquidity risk is to maintain sufficient readily available reserves in order to meet its liquidity requirements at any point in time. The Company achieves this by maintaining sufficient cash and cash equivalents. As at March 31, 2013, the Company was holding the total of \$13,690,555 in cash and cash equivalents and \$1,268,228 in available for sale marketable securities to settle its current cash liabilities of \$142,388. Management believes it has sufficient funds to meet its current obligations as they become due and to fund its exploration projects and administrative costs.

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15. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (cont'd)

Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices. These fluctuations may be significant and the Company, as all other companies in its industry, has exposure to these risks.

a. Interest Rate Risk

The Company is exposed to interest rate risk as its bank accounts earn interest income at a variable rate of approximately 1.5%.

b. Currency Risk

The Company operates in Canada and is therefore not exposed to significant foreign exchange risk arising from transactions denominated in a foreign currency.

c. Price risk

The Company is exposed to price risk with respect to commodity and equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company closely monitors certain commodity prices, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company.

The Company also maintains investments in certain marketable securities. There can be no assurance that the Company can exit these positions if required, resulting in proceeds approximating the carrying value of these securities.

16. RESTATEMENT

The consolidated interim financial statements of the Company for the nine months ended March 31, 2012, have been restated to adjust for the following:

(i) Flow-through shares

The following changes have been made in connection with the flow-through shares issuances on:

- (a) October 31, 2008 - the Company allocated \$1,179,567 or \$0.15 per share to a flow-through share premium, which was recognized as a liability, and \$5,897,833 or \$0.75 per share to capital stock. As of September 30, 2011, the Company fully amortized the liability based on the incurred eligible resource expenditures, which were renounced to the investors by filing regulatory forms;

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16. RESTATEMENT (cont'd)

- (b) The Company reversed deferred tax liability of \$1,411,994 recognized under Canadian GAAP in connection with the October 31, 2008 flow-through private placement and adjusted share capital and accumulated deficit accordingly; and
- (c) February 28, 2011 - the Company allocated \$242,250 or \$0.05 per share to a flow-through share premium, which was recognized as a liability, and \$3,488,400 or \$0.72 per share to capital stock. The Company determined that the flow-through tax premium liability should have been amortized to \$127,305 at June 30, 2011 and fully reversed at December 31, 2011, after incurring the required eligible resource expenditures and filing official renunciation forms.

	March 31, 2012
Adjustment to Capital stock (b)	\$ 1,840,124
Adjustment to Deferred income tax liability (b)	(1,411,994)
Adjustment to Deficit (Deferred income tax recovery) (b)	(428,130)

(ii) Treasury shares

The Company reclassified its common shares that were repurchased through the NCIB and not cancelled at the end of reporting period to treasury shares recorded at cost. Treasury shares are shown as a deduction from capital stock until cancelled.

	March 31, 2012
Adjustment to Capital Stock	\$ 41,449
Adjustment to Reserves	(41,449)

(iii) Initial recognition of an asset or liability on acquisition

Effective February 23, 2007, the Company the Company acquired an aggregate of 53,533,615 common shares of Ecstall. The acquisition of Ecstall is accounted for as an asset purchase under IFRS and does not trigger the IAS 12 recognition criteria for deferred tax liability or asset. Under IFRS, the deferred tax liability would not be recognized, either on acquisition or subsequently.

	March 31, 2012
Adjustment to Deferred income tax liability	\$ (3,196,006)
Adjustment to Deficit	3,196,006

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16. RESTATEMENT (cont'd)

Condensed Consolidated Interim Statement of Financial Position as at March 31, 2012:

March 31, 2012	As previously reported	Adjustments		Restated
Assets				
Current assets				
Cash and cash equivalents	\$ 14,316,573	\$ –		\$ 14,316,573
Receivables	162,421	–		162,421
METC recoverable	–	–		–
Prepaid expenses	10,624	–		10,624
Marketable securities	1,827,000	–		1,827,000
	16,316,618	–		16,316,618
Other assets	312,649	–		312,649
Equipment and leasehold improvements	288,318	–		288,318
Long-term prepaid expenses	192,145	–		192,145
Exploration and evaluation assets	62,332,785	–		62,332,785
	\$ 79,442,515	\$ –		\$ 79,442,515
Liabilities and Equity				
Current liabilities				
Trade payables and accrued liabilities	\$ 227,198	\$ –		\$ 227,198
Due to related party	21,374	–		21,374
	248,572	–		248,572
Deferred income tax liability	6,021,000	(4,608,000)	(i),(iii)	1,413,000
Equity				
Capital stock	88,939,986	1,881,573	(i)(ii)	90,821,559
Reserves	11,625,785	(41,449)	(ii)	11,584,336
Deficit	(27,793,589)	2,767,876	(i)	(25,025,713)
Accumulated other comprehensive income	400,761	–		400,761
	73,172,943	4,608,000		77,780,943
	\$ 79,442,515	\$ –		\$ 79,442,515

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16. RESTATEMENT (cont'd)

Condensed Consolidated Interim Statements of Operations and Comprehensive Loss

For the nine months ended March 31, 2012	As previously reported	Adjustments	IFRS (restated)
ADMINISTRATION EXPENSES			
Administration	\$ 45,000	\$ –	\$ 45,000
Bonuses	2,500	–	2,500
Consulting	168,750	–	168,750
Depreciation	3,094	–	3,094
Directors' fees	37,500	–	37,500
Interest and bank charges	3,511	–	3,511
Investor relations	213,045	–	213,045
Management fees	220,500	–	220,500
Office and miscellaneous	40,034	–	40,034
Professional fees	36,556	–	36,556
Regulatory fees	17,395	–	17,395
Rent	45,000	–	45,000
Share-based compensation	122,695	–	122,695
Transfer agent fees	3,755	–	3,755
Travel and promotion	166,028	–	166,028
Wages and benefits	305,478	–	305,478
Loss before other items	(1,431,111)	–	(1,431,111)
Interest and other income	187,056	–	187,056
Loss on sale of marketable securities	57,110	–	57,110
	244,166	–	244,166
Loss before income taxes	(1,186,945)	–	(1,186,945)
Deferred income tax recovery	242,250	(114,945)	(i) 127,305
Net loss for the period	(944,695)	(114,945)	(1,059,640)
Adjustment for change in fair value of marketable securities	814,100	–	814,100
Comprehensive loss for the period	(130,595)	(114,945)	(245,540)

CANADA ZINC METALS CORP.

Notes to Condensed Consolidated Interim Financial Statements
 For the nine months ended March 31, 2013 and 2012
 (Expressed in Canadian Dollars, unless otherwise stated)
 (Unaudited, prepared by management)

16. RESTATEMENT (cont'd)

Condensed Consolidated Interim Statements of Cash Flows

For the nine months ended March 31, 2012	As previously reported	Adjustments	IFRS (restated)
Cash used in operating:			
Net loss for the period	\$ (944,695)	\$ (114,945)	\$ (1,059,640)
Items not affecting cash:			
Depreciation	3,094	–	3,094
Share-based compensation	122,965	–	122,965
Loss on sale of marketable securities	(57,110)	–	(57,110)
Deferred income tax recovery	(242,250)	114,945	(127,305)
Changes in non-cash working capital items:			
Receivables	315,179	–	315,179
METC recovered	1,611,149	–	1,611,149
Prepaid expenses	368,214	–	368,214
Trade payables and accrued liabilities	(285,256)	–	(285,256)
Due from related parties	15,540	–	15,540
	906,830	–	906,830
Cash used in investing:			
Equipment and leasehold improvements	(146,935)	–	(146,935)
Marketable securities costs	(398,529)	–	(398,529)
Exploration and evaluation asset costs	(5,256,988)	–	(5,256,988)
Short-term investments	4,609,000	–	4,609,000
Other assets	(3,649)	–	(3,649)
	(1,197,101)	–	(1,197,101)
Cash used in financing:			
Issuance of common shares	27,500	–	27,500
Common shares repurchased	(921,810)	–	(921,810)
	(894,310)	–	(894,310)
Change in cash and cash equivalents	(1,184,581)	–	(1,184,581)
Cash and cash equivalents, beginning of period	15,501,154	–	15,501,154
Cash and cash equivalents, end of period	\$ 14,316,573	\$ –	\$ 14,316,573